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No. 03-1049

IN THE

Supreme Court of the United States

IDAHO POTATO COMMISSION,

Petitioner,

v.

M & M PRODUCE FARM & SALES,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

MOTION FOR LEAVE TO FILE BRIEF AND BRIEF OF UNDERWRITERS LABORATORIES INC., AMERICAN NATIONAL STANDARDS INSTITUTE, CSA INTERNATIONAL, AMERICAN DENTAL ASSOCIATION, WATER QUALITY ASSOCIATION, NSF INTERNATIONAL, AMERICAN GAS ASSOCIATION, STEEL TANK INSTITUTE, JUVENILE PRODUCTS MANUFACTURING ASSOCIATION, TOY INDUSTRY ASSOCIATION, NATIONAL MARINE MANUFACTURERS ASSOCIATION, INTERTEK TESTING SERVICES NA, INC., ASSOCIATED LOCKSMITHS OF AMERICA, INC., GREEN SEAL, INC., INTERNATIONAL ASSOCIATION OF PLUMBING & MECHANICAL OFFICIALS, NATIONAL ORGANIZATION FOR COMPETENCY ASSURANCE, PFS CORPORATION, MATERIAL HANDLING INDUSTRY OF AMERICA, SOCIETY OF ACCREDITED MARINE SURVEYORS, AND PLUMBING MANUFACTURERS INSTITUTE AS AMICI CURIAE IN SUPPORT OF PETITIONER

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M & M PRODUCE FARM & SALES,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

MOTION OF AMICI FOR LEAVE TO FILE BRIEF AS AMICI CURIAE

Underwriters Laboratories Inc., American National Standards Institute, CSA International, American Dental Association, Water Quality Association, NSF International, American Gas Association, Steel Tank Institute, Juvenile Products Manufacturing Association, Toy Industry Association, National Marine Manufacturers Association, Intertek Testing Services NA, Inc., Associated Locksmiths of America, Inc., Green Seal, Inc., International Association of Plumbing & Mechanical Officials, National Organization of Competency Assurance, PFS Corporation, Material Handling Industry of America, Society of Accredited Marine Surveyors, and Plumbing Manufacturers Institute hereby request leave to file a brief as amici curiae in support of Idaho Potato Commission's Petition for a Writ of Certiorari. Idaho Potato Commission consented to the filing of the amicus brief, but M&M Farm Produce & Sales refused its consent.

Amici include certifying, testing, and standards organizations, as well as an association representing licensees of certification marks. Together, amici own or rely upon

some of the most widely used certification marks in the United States. Such marks are used to certify the safety and quality of a broad range of products and services throughout the national economy. Amici license over 70,000 manufacturers and their marks appear on over 17 billion products each year. Consumers and government agencies rely on amici's certification marks in making purchasing decisions and in developing regulations to protect public safety.

Amici have a vital interest in the effective and efficient enforcement of certification marks. Mark owners and their licensees make substantial investments in their marks and in the underlying products and services in reliance upon the validity of the marks. Mark owners protect their investment and the investment of their licensees by including "no-challenge" provisions in their license agreements. The enforcement of such agreed upon license provisions is essential for mark owners to efficiently control the use of their marks. Finding "no-challenge" provisions unenforceable, as the Second Circuit has in this case, will result in owners facing validity challenges in virtually every enforcement action. The consequent increase in the time and expense of enforcement will discourage mark owners from developing certification marks and will discourage potential licensees from licensing certification marks. Consumers would be deprived of information that is critical to their making informed purchasing decisions. Government agencies would be deprived of the standards they need to develop public safety regulations.

Amici believe that their familiarity with the use of certification marks throughout the United States economy and the role such marks play in ensuring safe and high quality products and services will aid in the Court's understanding of the issue presented in the Petition for Certiorari. This brief

presents legal and economic analysis supplemental to that in the Petition.

Respectfully submitted,

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INTEREST OF AMICI[1]

Twenty certifying, testing and standards organizations, including some of the largest such organizations in the United States, submit this amicus brief in support of the Idaho Potato Commission's ("IPC") Petition for Certiorari.[2]

As owners of some of the most widely used and relied upon certification marks attesting to product safety and quality, amici have a vital interest in the enforceability of their license agreements, particularly provisions that enable amici to efficiently protect the validity of their marks. Amici test and certify a wide range of products that represent a broad cross section of the United States economy, including appliances, computer equipment, furnaces, fuses, smoke detectors, fire extinguishers, water treatment products, disinfectants, water system components, plumbing fixtures, electrical and telecom conduit, wastewater treatment systems, bottled water, food and beverage dispensing and processing equipment, bakery products, dietary supplements, baby carriages, high chairs, cribs, walkers, toys, boats, toothpaste and toothbrushes. Amici also certify the environmental impact of products and training programs for health care and other professionals. Amici's certification marks are applied to over 17 billion products and services annually, provided by over 70,000 manufacturers and service providers.

Most amici are non-profit organizations. Each is an independent, technically expert organization that has no

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[1] No counsel for a party authored this brief in whole or in part. The Idaho Potato Commission made a monetary contribution to the preparation of this brief.

[2] Amicus American National Standards Institute accredits certifying organizations and has an interest in the credibility and validity of the organizations' marks. Members of amicus Plumbing Manufacturers Institute ("PMI") license certification marks and invest heavily to ensure that their products meet certification standards. PMI's members have a strong interest in the continued validity of the marks they license.

financial interest in the ultimate profitability of the products it certifies. American businesses and consumers heavily rely on amici's unbiased evaluation of the safety and quality of the products and services they test. Federal, state and local government agencies rely on amici's certification of products and services in their purchasing decisions and in their regulatory efforts to protect public safety.

The enforceability of "no-challenge" provisions in certification mark license agreements is a matter of great concern to amici. Such provisions control the cost of protecting and enforcing certification marks. If licensees are not bound by their agreements to forego challenging the validity of the marks they license, the litigation costs of all mark owners will soar. Validity challenges by infringers will become a standard litigation strategy. Non-profit organizations, such as most amici, can ill afford protracted, expensive litigation to enforce their marks. In addition, amici's ability to assure licensees and the public of their marks' validity will be diminished. The higher costs and increased uncertainty regarding the validity of marks will result in a reduction in the certification of products. Consumers will receive less information about the safety and quality of products, information which is essential to informed purchasing decisions.

SUMMARY OF ARGUMENT

Certification marks are one of four types of marks protected by the Lanham Act. Trademark Act of 1946 (Lanham Act), 15 U.S.C. §§ 1051-1072, 1091-1096, 1111-1127, 1141a-1141n (2003). Congress determined that Lanham Act marks should receive the "greatest protection that can be given them" to preserve their consumer welfare benefits. S. Rep. No. 1333, 79th Cong., 2d Sess. 6 (1946). By reducing consumer search costs and information asymmetries between sellers and consumers, certification marks, like trademarks, incent sellers to offer better and safer products and services.

As Section 4 of the Lanham Act, 15 U.S.C. § 1054, demonstrates, Congress intended certification marks to receive the same protections as trademarks. Any interpretation of the Lanham Act that impairs the ability of certification mark owners to protect their marks threatens the certification mark system established by Congress.

Licensees of certification marks, like trademark licensees, routinely agree to forego challenging the validity of the licensed marks. These "no-challenge" commitments are essential to the mark owners' ability to control their litigation costs and efficiently protect their marks. Such provisions also assure other licensees that the marks will remain valid, encouraging them to invest in the marks and in those products and services bearing the marks.

By holding that "no-challenge" provisions in certification mark licenses are unenforceable, the Second Circuit's decision will substantially increase the cost and risk of enforcement actions. Virtually every lawsuit seeking to enjoin infringement of a certification mark will be met with a counterclaim seeking to cancel the mark. Often, as in this case, such validity challenges are the primary litigation strategy employed by infringers to discourage owners from enforcing their marks. This strategy can be particularly onerous to certification mark owners, as they are typically non-profit organizations or government agencies. The increased cost and risk of enforcement actions will reduce the stability and value of certification marks, decrease use of certification marks by owners and licensees, and, in turn, deprive consumers, including government agencies, of information vital to their ability to make informed choices.

The Second Circuit's decision is based on an erroneous reading of *Lear, Inc v. Atkins*, 395 U.S. 653 (1969). In *Lear*, this Court held that the public interest in competition in the use of ideas precluded patent licensee estoppel. Congress, the courts and economists have long recognized that, unlike patents, Lanham Act marks, including certification marks, do

not withdraw any ideas from public use. Marks protect the public from deception and preclude others from using confusingly similar words or symbols to brand their products or services. They do not preclude others from offering competitive products or services. As a result, courts have consistently refused to expand *Lear*'s narrow holding to trademarks and have upheld contractual "no-challenge" provisions regarding trademarks. *See, e.g., Beer Nuts, Inc. v. King Nut Co.*, 477 F.2d 326 (6th Cir. 1973). No principled basis exists to treat "no-challenge" provisions in certification mark licenses different from such provisions in trademark licenses.

REASONS FOR GRANTING THE PETITION

I. A STRONG CERTIFICATION MARK SYSTEM IS MANDATED BY THE LANHAM ACT AND IS ESSENTIAL FOR CONSUMER WELFARE.

Through the Lanham Act, 15 U.S.C. §§ 1051, *et seq.*, Congress provided for national protection of trademarks, service marks, collective marks and certification marks (collectively "marks"). Before the Lanham Act, state common law and a patchwork of federal statutes protected marks. Congress determined that marks were so essential to product quality and safety that "sound public policy requires that [marks] should receive nationally *the greatest protection that can be given them.*" *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 193 (1985) (quoting S. Rep. No. 1333, 79th Cong., 2d Sess. 6 (1946)) (emphasis added).

Congress, the courts and economists have long recognized that protecting marks fosters competition and enhances product quality by securing reputational benefits to the mark owner and its licensees. *See* S. Rep. No. 1333, 79th Cong., 2d Sess. 4 (1946); *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995); *Kohler Co. v. Moen Inc.*, 12 F.3d 632 (7th Cir. 1993); William M. Landes & Richard A. Posner, *The Economics of Trademark Law*, 78 TRADEMARK REP. 267

(1988) [hereinafter Landes & Posner]; 1 J. Thomas McCarthy *On Trademarks And Unfair Competition* §§ 2:3 - 2:5 (4th ed. 2000) [hereinafter McCarthy]; Roger E. Meiners & Robert J. Staaf, *Patents, Copyrights, and Trademarks: Property or Monopoly?*, 13 HARV. J.L. & PUB. POL'Y 911, 929-34 (1990) [hereinafter Meiners & Staaf]; Patricia Kimball Fletcher, *Joint Registration of Trademarks and the Economic Value of a Trademark System*, 36 U. MIAMI L. REV. 297, 323-30 (1982) [hereinafter Fletcher]. The Assistant Attorney General for the Antitrust Division of the Department of Justice testified before Congress that "the maintenance of a strong trademark system [is] very important, if not absolutely essential, to the workings of competitive markets in a wide variety of commercial sectors." Criminal Trafficking in Counterfeit Marks: Hearings on S. 2428 Before the Senate Judiciary Comm., 97th Cong. 8 (1982) (statement of William F. Baxter, Assistant Attorney General, Antitrust Division, U.S. Department of Justice).

This Court has recognized that information asymmetries can lead to market imperfections. *See California Dental Ass'n v. Federal Trade Comm'n*, 526 U.S. 756, 772 (1999). Lanham Act marks reduce this imbalance by enabling consumers to readily assess product quality and safety, and to distinguish between competitive offerings. Marks reduce consumer search costs and encourage sellers to invest in enhancing the quality and safety of their products and services. *See* Landes & Posner, *supra*, at 271; Meiners & Staaf, *supra*, at 932. Marks also enable consumers to punish sellers who produce products of lower or unpredictable quality. Consumers can readily identify the products of such sellers through their marks and curtail future purchases.

The failure to provide adequate legal protection for marks will ultimately reduce competition over the quality and safety of products and eliminate the incentive to maintain or improve product offerings. *See* Landes & Posner, *supra*, at 272. A seller, like M&M Produce Farm & Sales ("M&M") in

this case, who infringes on another's mark, free rides on the mark owner's and its licensees' investment in the mark and the underlying products. Any interpretation of the Lanham Act that increases the difficulty or expense of enjoining such economic parasites "will eventually destroy the information capital embodied in a trademark . . . eliminat[ing] the incentive to develop a valuable trademark in the first place." *Id.*

Economists agree that reducing the use of marks would impede consumers' ability to distinguish between high and low quality goods and services. Consumers would be unwilling to pay more for a product whose quality and safety cannot be assured. Sellers' incentives to improve their products would diminish and higher quality, safer products would be driven from the market. *See* George A. Akerlof, *The Market for 'Lemons': Quality Uncertainty and the Market Mechanism*, 84 Q.J. ECON. 488, 499-500 (1970); Landes & Posner, *supra*, at 279, 299-300; Meiners & Staaf, *supra*, at 931.

Certification marks provide the same economic benefits as the other Lanham Act marks. Certification marks impart information critical to consumers and induce sellers to provide safe, high quality products and services. *See McDaniel v. Appraisal Inst.*, 117 F.3d 421, 423 (9th Cir. 1997) (defendant's "certification program enhances competition and efficiency of markets by reducing search costs and mistakes"); *Consolidated Metal Products, Inc. v. American Petroleum Inst.*, 846 F.2d 284, 296 n. 46 (5th Cir. 1988) (certification mark increases consumer demand and encourages producers to improve products); *ECOS Electronics Corp. v. Underwriters Lab.*, 743 F.2d 498, 503 (7th Cir. 1984) (certification marks eliminate market imperfections by providing information to consumers).

The Lanham Act makes little distinction between the four types of marks. Each is included in the statute's definition of "mark," 15 U.S.C. § 1127, and, except as explicitly provided

in the Act, each is accorded the same treatment. Indeed, Sections 3 and 4 of the Act, 15 U.S.C. §§ 1053, 1054, specifically state that service marks, collective marks and certification marks "shall be entitled to the protection provided herein in the case of trademarks." Congress could not have spoken more clearly that all four types of marks are of equal importance and are afforded equal protection.

Certification marks differ from the other Lanham Act marks only in that certification mark owners may not market goods or services under their certification marks and they must license all those that meet their standards on a non-discriminatory basis. 15 U.S.C. §§ 1127, 1064(5)(D). These features enhance the pro-competitive and consumer welfare benefits of certification marks. Because the certification mark owner does not market the certified goods or services, consumers are assured of an objective evaluation of the products and services that bear the marks. That all who meet the mark owner's standards may receive a license facilitates new entry into markets by reducing the investment a new entrant must make in developing its own brand.

Recognizing that the Lanham Act mandates equal treatment of the four types of marks and that each type provides the same important consumer welfare benefits, courts, including the Second Circuit, have uniformly accorded equal protection to certification marks, service marks, collective marks and trademarks. *See, e.g., Levy v. Kosher Overseers Ass'n*, 104 F.3d 38, 39 (2d Cir. 1997) ("Certification marks are generally treated the same as trademarks for purposes of trademark law."); *Professional Golfers Ass'n v. Bankers Life & Casualty Co.*, 514 F.2d 665, 668 (5th Cir. 1975) ("[T]he Lanham Act clearly contemplates that owners of collective marks and service marks receive the same treatment as holders of more orthodox trademarks."); Terry E. Holzman, *Tips From the Trademark Examining Operation*, 81 TRADEMARK REP. 180, 189 (1991).

Providing the same protections to certification marks as trademarks is essential to preserving the Lanham Act system carefully crafted by Congress. With the ever increasing number and complexity of goods and services from which consumers must choose, a system providing the strongest protection for marks is even more critical today.

II. THE SECOND CIRCUIT'S DECISION SUBSTANTIALLY UNDERCUTS THE CERTIFICATION MARK SYSTEM AND HARMS CONSUMER WELFARE.

The Second Circuit's decision seriously undermines the ability of certification mark owners to protect their marks. Certification mark licenses, like trademark, service mark and collective mark licenses, routinely contain provisions under which the licensee acknowledges the validity of the mark and agrees not to challenge the mark. "No-challenge" provisions are essential to providing stability and predictability for marks and to reducing mark owners' costs in administering and protecting their marks.

For certification mark owners, the stability of their marks and the ability to enforce them efficiently are particularly important. Certification mark owners are often not-for-profit entities, like most of the amici, or government agencies, like IPC. These organizations have limited funds with which to enforce their certification marks and to ensure that all licensees comply with their standards. While trademark owners have the choice not to license their marks, certification mark owners are not permitted to refuse to license their marks to qualified licensees or to market products using their marks. Only licensees may use certification marks. Thus, license agreements are a critical feature of the certification mark system and the central means by which mark owners control their marks. Unlike a trademark owner, a certification mark owner cannot selectively license its mark based on, for example, the owner's assessment of the integrity and honesty of the

potential licensee. Any licensee whose products or services meet the owner's standards must be licensed. For this reason, "no-challenge" provisions are even more important to certification mark owners than to trademark owners as a critical tool to protect against disreputable licensees. Also, certification mark owners largely generate revenue through license fees or product testing. That limited revenue stream would be jeopardized if certification marks are weakened by limiting the owners' ability to protect their marks.

As licensees are the only users of certification marks, mark owners' enforcement of their marks, through infringement litigation or otherwise, principally benefits their licensees and consumers and government agencies who rely on the marks. 3 McCarthy § 19:92.1, at 19-297; Fletcher, *supra*, at 329. Licensees, like the members of amicus Plumbing Manufacturers Institute, often numbering in the thousands for each certification mark, invest heavily in ensuring that their products or services comply with the marks' standards and in promoting and selling their products and services under the marks.[3] Customers of licensees rely on certification marks to accurately portray the quality and safety of the underlying product. *See United States v. 10,510 Packaged Computer Towers*, 152 F. Supp. 2d 1189, 1197 (N.D. Cal. 2001). Government agencies also rely on certification marks in developing regulations to protect public safety. *See, e.g.*, 40 C.F.R. § 82.3 (2004) (air quality regulation providing that all equipment used in the recycling of refrigerants shall meet certification standards of Underwriters Laboratories or an equivalent certifying body); NEW YORK, N.Y., CODE § 28-01 (2003) (ordinance providing that all smoke detecting devices shall meet Underwriters Laboratories' testing standards); ST. PAUL, MINN. LEGIS. CODE § 94.12 (2003) (code requiring relief valves in water storage containers to meet testing

[3] For example, Underwriters Laboratories Inc. has over 66,000 licensees. *See* Underwriters Laboratories Inc., *About UL* (visited Feb. 8, 2004) <http://www.ul.com/about/index.html>.

standards of certifying bodies, including Underwriters Laboratories); DENVER, COLO., MUN. CODE § 23-2 (2003) (ordinance providing standards for food sanitation and handling equipment must meet certification standards of one of several non-profit certification bodies).

Under the Second Circuit's decision, certification mark owners may no longer rely on a licensee's contractual commitment not to challenge their marks. If this decision is permitted to stand, every enforcement action by a certification mark owner against a wayward or former licensee will likely face a counterclaim challenging the mark's validity.[4] Such challenges will protract and substantially increase the cost of enforcement litigation, as validity challenges are fact intensive and involve substantial discovery. In the case below, M&M voluntarily relinquished its license to use IPC's certification mark. Nonetheless, M&M continued to use the mark. M&M had no defense to IPC's infringement claim; it did not contest it was using IPC's mark without the required license. Petition Appendix at 4a. Its only available litigation strategy was to seek cancellation of the mark. M&M challenged the mark despite its contractual commitment not to do so and after benefiting as a licensee of the mark for several years.

Licensees knowingly enter into such license agreements. In return, they obtain not only the use of the mark, but the benefit of the combined investments of the mark owner and all other licensees. These investments are made in reliance upon the mark's validity and with the understanding that each licensee has committed, or will commit, not to challenge the mark. One licensee, or former licensee, who breaches its contractual commitments, infringes the mark and then

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[4] The Second Circuit's decision places certification mark owners in a difficult position. Failure to control their certification marks risks cancellation, 15 U.S.C. § 1064(5), yet, any attempt by a mark owner to enforce its mark also risks cancellation.

challenges the mark as part of its litigation strategy, jeopardizes the investments of all other licensees.

Any reduction in mark owners' ability to enforce their marks will discourage investment by licensees and decrease the owners' ability to protect consumers from fraudulent use of the marks. Organizations like amici would be less likely to develop certification marks and potential licensees would be less willing to license the marks. A reduction in the use of certification marks would deprive consumers of their important informational benefits. Government agencies that rely on such marks would be required to develop their own safety standards at taxpayers' expense.

The reasoning of the Second Circuit's decision also raises questions about the validity of other important provisions commonly found in certification mark license agreements. The court found that "no-challenge" provisions conflict with public policy because they place "a non-quality control related restriction on sellers of the certified product and other licensees that benefit[] the mark owner in contravention of the mark owner's obligation not to interfere with a free market for products meeting the certification criteria." Petition Appendix at 15a-16a. License agreements, however, commonly contain a number of provisions designed to reduce the costs for administering the licensor-licensee relationship, including indemnification, insurance, limitations on liability, record keeping and auditing provisions. Licensees could argue that such critical provisions are "non-quality control related restrictions" – even though they limit the transaction costs of certification mark licensing and preserve the availability of such marks.

Further, the Second Circuit is unable to point to any support for its assertion that Congress intended to promote a free market for products bearing the same certification mark. Rather, the legislative history reveals that Congress intended the Lanham Act to facilitate purchasing decisions by enabling consumers to make informed choices between products

bearing competing marks. *See* S. Rep. No. 1333, 79th Cong., 2d Sess. 4 (1946). Congress also intended that the Act make "relief against infringement prompt and effective." *Id.* at 3. The Second Circuit's decision defeats both of these purposes by impairing the enforceability and therefore the utility of certification marks. Moreover, the court failed to explain how a non-discriminatory "no-challenge" provision included in each of the mark owner's license agreements interferes in any way with the "free market" for the certified product.

III. THE SECOND CIRCUIT'S DECISION IS INCONSISTENT WITH THE DECISIONS OF THIS COURT AND THOSE OF OTHER CIRCUITS.

The Second Circuit erroneously relied upon this Court's decision in *Lear, Inc v. Adkins*, 395 U.S. 653 (1969), in holding that "no-challenge" provisions in certification mark license agreements are unenforceable. *Lear* involved a patent license that did not even contain a "no-challenge" provision. In declining to apply licensee estoppel to patents, this Court focused on the "important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain." *Id.* at 670. The Court was concerned that licensee estoppel in the patent context would require the continuing payment of "tribute to would-be monopolists." *Id.*

. In *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979), the Court made clear that its narrow holding in *Lear* was "to further the strong federal policy that only inventions which meet the rigorous requirements of patentability shall be withdrawn from the public domain." 440 U.S. at 264. The Court emphasized that "neither the holding nor the rationale of *Lear* controls when no patent has issued and no ideas have been withdrawn from public use." *Id.*

Until the Second Circuit's decision, courts of appeal had adhered to *Lear*'s narrow rationale in upholding the

enforceability of "no-challenge" provisions outside the context of patent licenses. In *Beer Nuts, Inc. v. King Nut Co.*, 477 F.2d 326, 328-29 (6th Cir. 1973), the court found *Lear* inapplicable to trademark agreements. The court recognized that trademarks do not involve the withdrawal of ideas from public use or risk unjustified payments to would-be monopolists. *Id.* Rather, trademarks protect the public from deception and the mark owners' investment in advertising and quality control. Trademarks confer no exclusionary power over products or services. The only "exclusivity" accorded trademarks is over the specific word or symbol employed. Because the supply of words and symbols available for marks is essentially limitless, there is no public policy reason to supplant the longstanding contract rule "that a person should be held to his undertakings." *Id.* at 329. Similarly, the court in *E.G.L. Gem Lab Ltd. v. Gem Quality Inst.*, 90 F. Supp. 2d 277 (S.D.N.Y. 2000), found the *Lear* rule inapplicable to trademark licenses because "[t]rademarks, unlike patents, do not confer legally protected monopolies on useful advances in science and technology in order to provide incentives for inventors." 90 F. Supp. 2d at 291-92. *See also MWS Wire Industries, Inc. v. California Fine Wire Co.*, 797 F.2d 799, 801-04 (9th Cir. 1986); *Seven-Up Bottling Co. v. The Seven-Up Co.*, 561 F.2d 1275, 1279 (8th Cir. 1977).

Congress, courts and economists have consistently acknowledged that trademarks have none of the potential monopolistic tendencies associated with patents. In passing the Lanham Act, Congress recognized that "[t]rade-marks are not monopolistic grants like patents and copyrights." S. Rep. No. 1333, 79th Cong., 2d Sess. 3 (1946). In *Kohler Co. v. Moen, Inc.*, the court noted that "while a patent creates a type of monopoly pricing power by giving the patentee the exclusive right to make and sell the innovation, a trademark gives the owner only the right to preclude others from using the mark when such use is likely to cause confusion or to deceive." 12 F.3d at 637. Marks take nothing from the "store

of common or public property." Meiners & Staaf, *supra*, at 929-30; *see also* Landes & Posner, *supra*, at 276 (Words suitable for marks "are as a practical matter infinite. . . . A proper trademark is not a public good; it has social value only when used to designate a single brand.").

In their competitive impact, certification marks are identical to trademarks and wholly unlike patents. They have no potential for monopoly and are not essential for a firm to enter or compete in a product or service market. *See Consolidated Metal Products, Inc. v. American Petroleum Inst.*, 846 F.2d 284, 292 (5th Cir. 1988). Certification marks do not provide the owner or its licensees with any exclusive right to make, use or sell any good or service. The words or symbols that may be used for a certification mark are numerous and anyone wishing to do so may develop its own mark. Certification marks, unlike patents, do not impair "full and free competition in the use of ideas," the concern that animated the Court in *Lear*. Nor do "no-challenge" provisions have any potential to require licensees of certification marks to improperly pay royalties to a "would-be monopolist." A licensee is always free to cancel its license agreement. Such a cancellation would have no impact on the licensee's ability to continue selling its goods or services under its own name or mark, or a mark licensed from another mark owner.

Potential licensees have a choice of certification options. A United States producer of electrical products, for example, can choose among several certifying organizations, including three amici, Underwriters Laboratories Inc., Intertek Testing Services NA, Inc. and CSA International, to certify the safety of its products. A manufacturer of drinking water treatment products can choose among amici NSF International, Underwriters Laboratories, Inc. and Water Quality Association for testing and certification services. Similarly, M&M repackaged numerous other varieties of potatoes from several states other than Idaho and from Canada. It did not

need IPC's license to compete in the packaging and distribution of potatoes. Thus, the Second Circuit's rationale – that the public policy underlying certification marks is more akin to patents than trademarks – is unsupported by economic reality and is inconsistent with every other court of appeals that has considered this issue.

The Second Circuit's concern that only licensees have the economic incentive to challenge the validity of certification marks is also unsupported. Competitors of mark owners or licensees, and firms who have been denied certification mark licenses, all have the incentive to challenge, and have in fact challenged, the validity of certification marks or the actions of mark owners. *See, e.g., Levy v. Kosher Overseers Ass'n*, 104 F.3d 38 (2d Cir. 1997) (competitor of mark owner); *Alflex Corp. v. Underwriters Lab.*, 914 F.2d 261 (9th Cir. 1990) (competitor of licensee); *ECOS Electronics Corp. v. Underwriters Lab.*, 743 F.2d 498 (7th Cir. 1984) (same); *In re Circuit Breaker Litig.*, F. Supp. 1267 (C.D. Cal. 1997) (non-licensee counterfeiter). The Federal Trade Commission has the statutory authority to seek cancellation of certification marks. *See* 15 U.S.C. § 1064. The Antitrust Division of the Department of Justice also challenges license agreements that are used to restrain competition. *See, e.g., United States v. Sealy*, 388 U.S. 350 (1967). There is no shortage of would-be challengers of a certification mark, and no lack of incentive to do so, if a mark owner is misusing the mark.

Thus, the Second Circuit's reasoning in denying enforcement of "no-challenge" provisions in certification mark license agreements is flawed and is inconsistent with the congressional intent underlying the Lanham Act, as well as the decisions of this Court and other courts of appeal. The decision below threatens to significantly erode the vital role that certification marks play in the national economy in ensuring safe, high quality products and services.

CONCLUSION

To preserve the certification mark system established by Congress, which is essential for maintaining effective competition and enhancing consumer welfare, amici respectfully request that the Court grant IPC's Petition for Certiorari.

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